LABOR

Hacks and hatchet jobs

Misled by a disinformation campaign, the press is smearing Teamster President Ron Carey.

By William Serrin

Reporters and editors today tend to believe that labor is passé, that workers are irrelevant and uninteresting, not part of a paper or magazine's desired demographics. Most reporters believe that labor and the workplace are second-class beats, not the way to a top career on the White House beat or in the Paris bureau.

Thanks largely to this mindset, today's coverage of American unions is astonishingly ill-informed. Lacking a sense of the issues, the personalities, the history of labor, even good reporters get suckered by bad stories. Such a story is the traducing of Ron Carey.

For more than four years, several leading organs of the American press have engaged in a relentless campaign against Carey, president of the International Brotherhood of Teamsters. Newspaper after newspaper, magazine after magazine, often using information provided by three mysterious enemies of Carey—two former associates of Lyndon Larouche from Detroit and a zealous New York attorney—have reported that Carey, elected in December 1991 on a reform platform, is a crook, not a reformist.

Time magazine, the *New York Times*, *Business Week*, the *Washington Times*, *Newsday*, the Associated Press, National Public Radio, the *Los Angeles Times* and *New York* magazine have all run stories strongly slanted against Carey, some more than once. The charges are baseless, as a report by an independent court-appointed panel has found, and as many respected observers familiar with Carey and the Teamsters know. But none of these publications has admitted any error, nor has any media critic explained how Carey could be so viciously attacked in one of the most egregious disinformation campaigns in modern American journalism.

Carey's efforts to reform the Teamsters have been substantial; indeed, they ought to be considered one of the great labor stories in decades, but they have received little attention. Carey plans to seek re-election as Teamster president this year. His major opponent will likely be James R. Hoffa Jr., son of the infamous Teamster leader who disappeared in 1975. The charges against Carey make his re-election—on its own a formidable task, given the scalawags who remain in the union—doubly difficult. Throughout the campaign the press will regurgitate Carey's clips and the unfounded charges against him.

Hoffa, on the other hand, has benefited from favorable press coverage, despite certain facts that make his candidacy suspicious: He never has been a working Teamster, and his associates are largely members of the union's corrupt old guard that Carey has long attacked. Hoffa is trading on his father's name, which the press loves because it allows them to dredge up all the old mob and murder stories or, alternatively, to reprise the favorable mythology that has been built up around Jimmy Sr.

When he was elected in 1991, Carey inherited tremendous union problems, which he sometimes complicated by making unnecessary trouble for himself. For example, shortly after his inauguration, Carey began to argue with Frederick B. Lacey, a former U.S. district judge named in a consent decree to act as a government overseer. The two disagreed on how large a role, and at what cost to the financially strapped union, the court-appointed overseers should play. Meanwhile, Carey's enemies remained in control of a majority of the union's 600-odd locals and of its regional organizations.

Among Carey's enemies are the three mysterious accusers: The two Detroiters, Richard Leebove and George Geller, who say they renounced their allegiance to Lyndon LaRouche and his U.S. Labor Party in 1981, and Michael J.

Moroney, a veteran Department of Labor lawyer who had served with the federal team that oversaw the union after the 1989 takeover, and who landed a job as assistant federal trustee of Teamster Local 295 in New York.

Leebove runs R.L. Communications Inc., a small public relations firm in downtown Detroit. In the '80s, Leebove assisted in circulating materials that claimed communists were working to elect Richard Trumka—now the AFL-CIO's secretary-treasurer—as president of the United Mine Workers. In the early '80s Leebove also worked as a propagandist for BLAST (Brotherhood of Loyal Americans and Strong Americans), a strong-arm organization formed by Jackie Presser, later the Teamster president, to counter Teamsters for a Democratic Union, a reform group that was instrumental in Carey's election. During the 1991 Teamsters election, Leebove wrote and circulated 70,000 copies of *Teamster Election News*, which, for the first time, alleged that Carey had ties to organized crime. Leebove is retained by Larry Brennan, president of Teamster Local 337 in Detroit and an ardent Carey foe, to handle publications and publicity—all with an anti-Carey tone. Leebove also works for Hoffa's presidential campaign. (It was Brennan who gave Hoffa a job as a Teamster attorney, and thus made him eligible for the union's presidency.)

The press was sold a bill of goods by two bozos from Detroit.

Geller, whose offices are in Farmington Hills, outside Detroit, has been working for old-guard Teamster leaders since he left the LaRouche party in 1981 and began writing union newsletters with Leebove. He receives thousands of dollars a month from Brennan as an attorney for Teamster Local 337. He is also a key Hoffa supporter.

Moroney served as an Army intelligence officer during the Vietnam War and after attending law school became an organized crime and labor racketeering specialist in New York City. He later became a racketeering specialist with the U.S. Department of Labor. When the Justice Department placed the Teamsters under federal control in 1989 under the Racketeer Influenced, Corrupt Organizations Act (RICO), Moroney went to work for Charles Carberry, the union's government-appointed investigations officer. In early 1992 Thomas Puccio, a Park Avenue attorney and former U.S. prosecutor who had been named trustee of Teamster Local 295 at Kennedy International Airport, made Moroney his assistant trustee. Moroney has since been fired.

Once Carey was elected, Leebove, Geller and Moroney entered into an alliance to give information to the press contending that Carey was corrupt. Several reporters, including Carey's traducers, say that the three called them many times.

The Leebove-Geller-Moroney conspiracy began to produce results in December 1992, when a story by investigative reporter Richard Behar in *Time* magazine criticized Carey for "foot-dragging" in the fight to clean up the Teamsters and made other charges against Carey that the three would later bring to the union's Independent Review Board and the federal government. The article criticized Carey for, among other actions, trying to install a New York Teamster figure, William Genoese, as head of Local 295 at Kennedy International Airport, the local for which Moroney had been named assistant trustee. The Genoese appointment was subsequently voided by Lacey, the union overseer, who said that Genoese had been "unbelievably oblivious" to Teamster corruption at Local 295. Carey admitted the appointment had been a mistake.

In the spring of 1993, Moroney pulled off what he calls the achievement of his life—something that has played a large role in the negative coverage of Carey and surely will continue to do so. With the assistance of Thomas Puccio, he says, he managed to meet for two days with Alphonse D'Arco, a longtime New York mob figure who has confessed to killing or conspiring to kill 10 people, and is now in the federal witness protection program. Moroney says he was not allowed to take notes during his interview with D'Arco, but he recalls D'Arco telling him: "You think Ron Carey is a reformer? He's with us."

No reporters—just FBI agents and Moroney—have talked to D'Arco. Nonetheless, Moroney was a major source for a June 1993 front-page *New York Times* story by Jeff Gerth and Tim Weiner, both investigative reporters, that recounted the Genoese story and went on to say that Carey had refused to cooperate with Moroney and Puccio's efforts to clean up Local 295. The *Times* was playing catch-up with *Time*, but advanced the story by making the first mention of D'Arco and his reported charges against Carey. The article reported that, according to unnamed "federal investigators" probing into Local 295, "Alphonse D'Arco, the former acting boss of the Lucchese crime family, described dealings he said he had with Mr. Carey many years ago."

The *Times* story, given that paper's importance, made Carey an easy target and gave rise to a firestorm of stories condemning Carey. And as Moroney was assisting the *Times*, Leebove and Geller were making sure that the *Time* and *Times* pieces, as well as other articles critical of Carey, were disseminated throughout the union and to other reporters. They also continued to seek out investigative reporters, or others, usually general assignment reporters, with whom they had friendly relationships.

In August, a *Newsday* story by Joseph Calderone, headlined "Union Big Had Ties to $2M in UPS Stock," pilloried Carey for not disclosing that he inherited money from the estate sale of his father's $2 million holding in UPS stock. (Carey's local, 804, is a UPS local, and UPS is the nation's largest employer of Teamsters.) Carey immediately replied in the press that his father, who had been a UPS driver, bought eight shares of UPS stock for $320 in 1935 and that at the time of his death that stock had grown to 112,000

shares, worth about $1.9 million. He also said that his father's estate, worth $2.1 million, had five beneficiaries in addition to himself. The Department of Labor confirmed that Carey never inherited the stock and therefore had nothing to disclose. The rebuttal received little attention.

In July 1994, the court-appointed Independent Review Board, composed of Lacey, the ex-federal judge, who at times has been highly critical of the pace of Carey's reform efforts, William Webster, former director of the FBI, and Grant Crandall, a Charleston, W.Va., labor attorney, issued an 85-page report exonerating Carey of charges the press had levied against him. The report also debunked Leebove, Geller and Moroney's charges that Carey was tied to the mob.

But the newspapers and magazines that had done so much to establish Carey's guilt said little about the report. The *New York Times* gave nearly two columns to the story but placed it on page B-2, not on A-1, where the *Times* story critical of Carey was placed in July 1993. *Time*, the first to hype the allegations against Carey, gave the report 13 lines in the magazine's short "Milestones" section and added dismissively that "Carey's enemies charge a cover-up."

The Carey smear is apparently a story that will not die. Last July, *New York* magazine, which almost never does labor or workplace reportage, published a joint profile of Carey and James R. Hoffa Jr. that rehashed all the charges against Carey: D'Arco's alleged statements, Moroney's charge that Carey is a Lucchese family mole and more. Despite the fact that Moroney, by then an embarrassment to the government, had been removed as assistant trustee of Local 295, he was a major source for the story.

The *New York* story, written by contributing editor Jeffrey Goldberg, bought the Leebove-Geller-Moroney line and dismissed the Independent Review Board's report exonerating Carey. Noting that Carey comes from New York, which has a history of mob control in some unions, Goldberg opined, "It would be surprising—not impossible, but surprising—that a man in his position would have had to make no compromises at all." Having based most of his story on inference and supposition, Goldberg continued, sanctimoniously, "The union will be strong when it cleans up its image, and it will flourish only through effective organizing, which is difficult when the two leading candidates to run the union appear so compromised."

Reforming the Teamsters is one of the roughest jobs in America, and Carey has not been perfect. He is neither a schmoozer nor an affecting speaker (although it seems unfair to attack him, as *New York* magazine did, as a "slight, gray man who greases his hair and wears ill-cut suits"). He also should have made public his Florida and Arizona real estate holdings and his inheritance from his father's estate, given the disclosure expectations of public figures.

But to condemn him as an associate of the mob, with no proof other than the cockeyed conspiracies of union enemies, unnamed "federal sources" and a former mob leader who has admitted to 10 killings is simply wrong.

Carey has accomplished much as Teamster president. He has placed nearly 60 locals in trusteeship. He has saved the union $15 million a year by closing the union's four regional administration offices, where union barons made salaries of as much as $300,000 a year. He has cut the president's salary from $225,000 to $150,000. He sold the union's jets, the famous "Teamster Air Force," for $11 million. The Independent Review Board and the government have forced dozens of union officers, in small positions and large, from the union, and Carey was a leader of the AFL-CIO executive council faction that forced President Lane Kirkland to step down. He has assembled what is perhaps the top staff in the labor movement, he is an excellent bargainer, and he has led three largely successful national strikes, including a freight haulers strike. He is working against formidable foes to make the union vigorous and democratic.

Reporters who wrote stories linking Carey to organized crime maintain that Carey, as head of the Teamsters, is a legitimate subject for scrutiny, and that they only reported what investigators told them. "Carey doesn't come clean," *Time*'s Behar says. "He is fair game." Another reporter who wrote a story critical of Carey—the reporter will not go on the record—says it is not his responsibility to ascertain the truth of charges made against someone, only to balance what is said. *Newsday* labor reporter Kenneth W. Crowe has another point of view. He says, "The press was sold a bill of goods by a wacky investigator and two bozos from Detroit who used to work for Lyndon LaRouche."

The few reporters who remain to cover labor in America have not touched the Carey story or, when they have written on it, have been careful and circumspect. There will be much interest in Carey this year with the Teamsters election. Most reporters assigned to the story will have no background in labor coverage, and, especially in this age of electronic clips, will pull up all the Carey stories and use them against him.

Many reporters, finally, have come to regard bad as good and good as bad. That is, bad stories—charges, say, of illegal or unethical acts—are good, because they make good copy, a page-one story, a minute or so on the evening news. The press today is cynical and quick to condemn, and many reporters are as ambitious and career-minded as bankers or politicians. Stories that might be regarded as good—a story, perhaps, on what union organizers or union officers do, problems (or progress) in improving workplace safety, the travails (or achievements) of America's troubled working-class communities—are bad, because they probably will be dumped inside or probably will not make the evening news. A good story, as Carey's case illustrates, means trying to get the goods on somebody, even when the goods aren't there. ◀

William Serrin, a former labor reporter for the *New York Times*, is chairman of the journalism department at New York University.

Two examples of Jr. Hoffa's many lies about Ron Carey.

Hoffa Lie #1

Carey used a lawyer on the UPS payroll.

The Truth

"Neither I, nor any member of my firm of PREVITE FARBER & ROSEN P.C., has ever been employed by United Parcel Service. We never did any work, legal or otherwise, for United Parcel Service..."

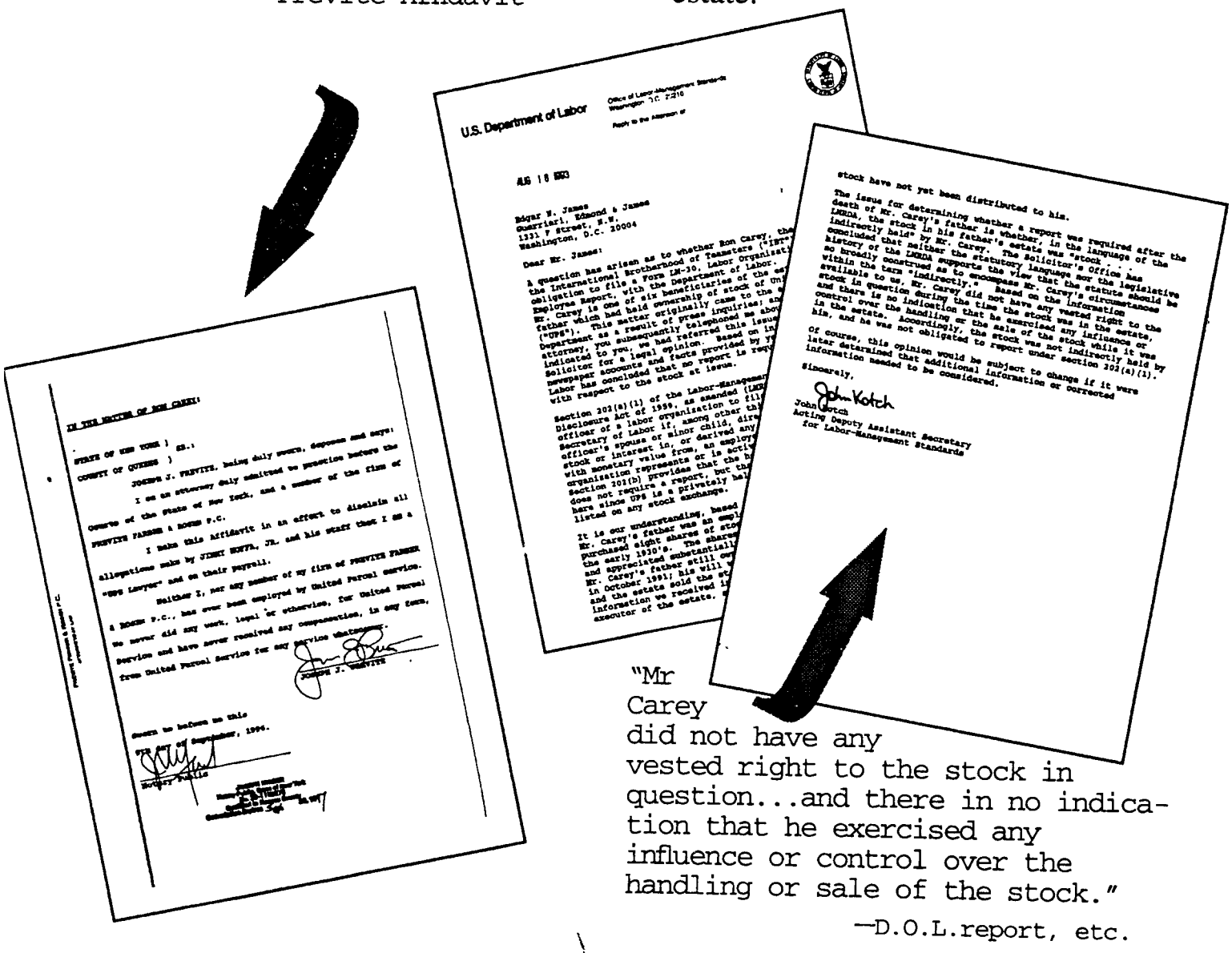
—Previte Affidavit

Hoffa Lie #2

Carey owns $2 million in UPS stock.

The Truth

Ron Carey has never owned any UPS stock. Along with other family members, he inherited some money from his father—a life-long Teamster—who had purchased 8 shares of UPS stock in the 1930s. When his father died in 1991, the stock was sold by the estate.


U.S. Department of Labor
Office of Labor-Management Standards
Washington, D.C. 20210
AUG 18 1993
Edgar N. James
Cherriari, Edmond & James
1331 F Street, N.W.
Washington, D.C. 20004
Dear Mr. James:
stock have not yet been distributed to his.
The issue for determining whether a report was required after the death of Mr. Carey's father is whether, in the language of the LMRDA, the stock in his father's estate was "stock ... indirectly held" by Mr. Carey. The Solicitor's Office has concluded that neither the statutory language nor the legislative history of the LMRDA supports the view that the statute should be so broadly construed as to encompass Mr. Carey's circumstances within the term "indirectly." Based on the information available to us, Mr. Carey did not have any vested right to the stock in question during the time the stock was in the estate, and there is no indication that he exercised any influence or control over the handling or sale of the stock while it was in the estate. Accordingly, the sale of the stock was not indirectly held by him, and he was not obligated to report under section 203(a)(1).
Of course, this opinion would be subject to change if it were later determined that additional information or corrected information needed to be considered.
Sincerely,
John Kotch
Acting Deputy Assistant Secretary
for Labor-Management Standards
IN THE MATTER OF RON CAREY:
STATE OF NEW YORK)
COUNTY OF QUEENS)
JOSEPH J. PREVITE, being duly sworn, deposes and says:
I am an attorney duly admitted to practice before the Courts of the State of New York, and a member of the firm of PREVITE FARBER & ROSEN P.C.
I make this Affidavit in an effort to disclaim all allegations made by JIMMY HOFFA, JR. and his staff that I am a "UPS Lawyer" and on their payroll.
Neither I, nor any member of my firm of PREVITE FARBER & ROSEN P.C., has ever been employed by United Parcel Service. We never did any work, legal or otherwise, for United Parcel Service and have never received any compensation, in any form, from United Parcel Service for any service whatsoever.
Joseph J. Previte
Sworn to before me this
day of September, 1994.
Notary Public

"Mr Carey did not have any vested right to the stock in question...and there in no indication that he exercised any influence or control over the handling or sale of the stock."

—D.O.L.report, etc.

The Man in the Shadows Behind Junior Hoffa

Leebove Banned from Teamster Election

by Martha Gruelle

At Congressional hearings called by anti-labor Republican Representative Pete Hoekstra to investigate whether rank and file elections for top Teamster officers had been a waste, a shadowy figure with no acknowledged role seemed to orchestrate a string of anti-democracy witnesses. It was the same man who in the mid-80s had watched, clipboard in hand, as members of a goon squad beat and harassed members of Teamsters for a Democratic Union.

In those two situations, as in Jimmy Hoffa Jr.'s 1996 campaign for the Teamster presidency, Richard Leebove never carried a real title. But now the court-appointed elections officer, Michael Cherkasky, has put on the record what seemed obvious to observers; Leebove, a professional communications consultant, was a key element of the Hoffa campaign.

Cherkasky also ruled that Leebove bent and broke the election rules with such abandon that he must be disqualified from any involvement in this year's election re-run.

A key issue is that Leebove failed to bill the Hoffa campaign for a substantial amount of work performed by himself and the other employee of his company, RL Communications. Cherkasky figured that Leebove spent about three-quarters of his work time on the Hoffa campaign in 1996, and lesser amounts in the two previous years. But in 1996, for instance, Leebove billed for the equivalent of about five hours per week. Cherkasky also charged that RL's stated rate for the campaign of $50 per hour is only half the amount he charged other clients. Under Teamster election rules, under-billing constitutes an improper employer contribution.

The rules on employer donations may seem overly stict: they're designed to keep current and potential Teamster-represented companies from influencing elections, and RL Communications is an unlikely organizing target. But Leebove and his company have a clear financial interest in who wins the union's presidency, and the under-billing can be seen as an investment in future lucrative contracts.

"NOT CREDIBLE"

Cherkasky said Leebove kept no records of hours worked for the Hoffa Campaign, but Cherkasky's interviews with a variety of witnesses familiar with the campaign painted a picture of Leebove as the "chief spokesman," a consultant on "message" to the Hoffa slate, and even "the brains of the operation"—a level of involvement that Leebove denies.

For instance Leebove says he attended the highly-politicized 1996 Teamsters convention at the behest of local unions for which he contracts to publish newsletters. His only work for the campaign there, he said, was writing a nightly newsletter for Hoffa delegates about the day's activities. Cherkasky calls this claim "not credible," noting that the locals did not pay any of his expenses or any special fees for the week and that several witnesses and press accounts evidence a larger campaign role. Again, much of Leebove's work was in the shadows: while the staff of a different PR firm ran Hoffa's press conferences at the convention, Leebove could be seen silently signaling them from the back of the room.

Jim West/Impact Visuals (2)

Richard Leebove, who donated $168,000 worth of PR work to the 1996 Hoffa campaign, is a long-time advisor to the old guard Teamster establishment in Michigan. He worked for Teamster Vice President Bobby Holmes, Jr. in 1983 (top) and Jimmy Hoffa, Jr. (back to camera, above) in 1996.

Local unions that contract with Leebove, mostly Detroit-area Teamster locals headed by Hoffa supporters, continued paying the same rate for his services even though Leebove was clearly spending a substantial amount of time on the campaign. Leebove's biggest account is Local 337, whose principal officer, Larry Brennan, also heads Teamsters Joint Council 43. At the joint council, Hoffa is on the payroll as Brennan's administrative assistant. Local 337 paid Leebove $240,000 during the 1994-96 campaign period.

Cherkasky did notice a possible pass-through of funds from American Income Life Insurance Company to the Hoffa campaign. The company, which markets insurance to union members, paid $23,500 in late 1996 for Leebove's work in setting up meetings between its agents and some Teamster local officers. This payment was the first of its kind, although Leebove had been helping American Income agents contact Teamster locals since 1990. The Election Officer found it likely that the payments "were either extracted to subsidize Mr. Leebove's work for the Hoffa Campaign..., or that they reflect Mr. Leebove's trading on his campaign connection to make some fast money."

SANCTION

As a penalty for his violations of the election rules, Cherkasky ordered Leebove and RL Communications to do no "work for or against any candidate" in the coming election. Should Leebove be caught breaking this prohibition, Cherkasky threatened, he may be barred from contracting with any Teamsters entity in the future. This could be a serious sanction because, according to *Traffic World*, Hoffa says he plans to give Leebove a position at Teamster headquarters if he wins the election. It remains to be seen, however, whether Leebove removes himself from Hoffa's campaign or just retreats further into the shadows.

Although Cherkasky said that Hoffa "should have known" he was getting free work from Leebove, he ordered the Hoffa campaign to repay only ten percent of the estimated $168,000 donation.

Leebove issued a statement calling Cherkasky's investigation "something of a joke." He said the decision to bar him from the rerun election was based in part on a desire to "derail congressional investigations bearing down on discovery of [Cherkasky's staff's] misconduct." When asked to clarify his role in the Hoekstra hearings and how the decision would derail them, Leebove said such an answer would be a violation of Cherkasky's decision.

Leebove is appealing Cherkasky's exclusion order to a special Teamster Elections Appeals Master. In a May 11 hearing, Leebove was represented by the law firm of Kerr, Russell and Weber. The firm also represents Yellow Freight, a major Teamster employer.

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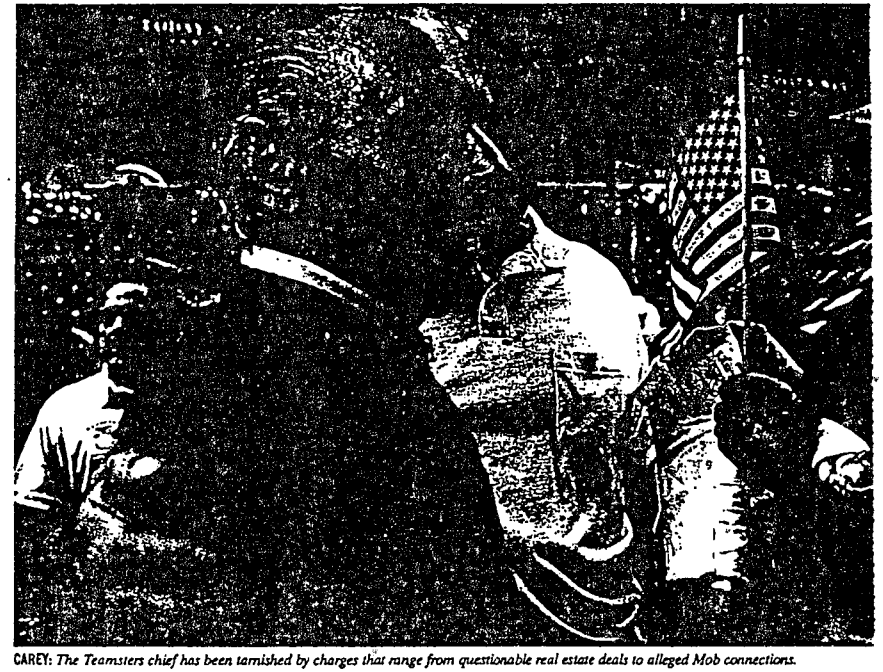
The Trouble With The TEFLON TEAMSTER

The feds and the press overlooked the dark side of reformer Ron Carey. Here's what they missed. By Richard Behar

How did the feds get in this mess?

Only a month earlier, their star reformer, International Brotherhood of Teamsters boss Ron Carey—a man whose ascension and reign the government had abetted—scored a stunning victory in the United Parcel Service contract squabble. But there sat Jere Nash, Carey's former campaign manager, weeping in a New York courtroom, trying to explain why he and two fellow aides funneled illegal contributions to Carey from the union's treasury. Nash said he and his cronies broke the law to prevent a 1996 election victory by rival James Hoffa Jr., which they believed would have opened the door to organized crime. "I have successfully resisted ends-justify-the-means thinking before this campaign," said Nash.

It got messier. Just days after Nash's courtroom appearance, the government's overseer of the Teamsters' election, Barbara Zack Quindel, was embroiled in controversy. Quindel, who had invalidated Carey's reelection right after the Teamsters struck a deal with UPS, recused herself from deciding whether Carey could run again in the new election. She stepped aside to avoid



CAREY: *The Teamsters chief has been tarnished by charges that range from questionable real estate deals to alleged Mob connections.*

PHOTOGRAPH BY MARK PETERSON—SABA

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JIMMY HOFFA JR.: *He had Carey on the run at the Teamsters convention in 1996.*

any appearance of conflict of interest on her part after revealing that she and her husband had links—through an obscure liberal political party—to the Carey campaign. And now there are signs that the illegal-contribution flap is spreading to the Democratic National Committee and the Clinton-Gore campaign, both of which have benefited under Carey's tenure.

At first blush there doesn't seem a whole lot to get worked up about. As any Teamsters student knows, scandal is the calling card of the nation's most notorious union. Four of the union's past six presidents had been indicted on criminal charges; three of them (including Hoffa's father) went to prison. But this time it was going to be different. Government officials, who have been supervising the Teamsters since 1989, had supported Carey and billed him as a white knight who would clean up the country's most corrupt labor union.

When Ron Carey ran for office in 1991, his press coverage was bathed in glorious blue-collar images: **a tuna-sandwich, suit-off-the-rack** *kind of guy from Queens.*

As it turns out, the government and Nash, Carey's former campaign manager, have a lot in common. In their zeal to reform the union—and keep young Hoffa on the outside—the feds did their best to keep Carey in power and his image clean. And for both Nash and the government, that strategy backfired. It isn't entirely clear whether the government acted in concert to cover up for Carey. But the feds at the very least appeared to overlook evidence that Carey was far from the golden boy he was portrayed as. Since his first election in 1991, Carey has been plagued by charges that range from questionable real estate dealings to alleged Mob connections. In most cases he was exonerated by the Independent Review Board, or IRB, a three-member panel created to police the union. The IRB doesn't see it that way. Responding to criticism of a 1994 report clearing Carey of wrongdoing, the IRB's William Webster told FORTUNE: "I never viewed it as a vindication. I viewed it that the charges were not proved." Added the former FBI and CIA chief: "There's been no look-the-other-way attitude on anything." Carey, who has said he's a "victim" in the union's campaign-financing scandal, declined to be interviewed.

To understand how the government got into this bad marriage, go back to 1989. That's when the Teamsters settled a massive civil racketeering suit that accused its leaders of having forged a "devil's pact" with the Mob. The deal, known as a consent decree, was negotiated by the Justice Department and is administered by an 87-year-old federal judge, David Edelstein, in New York. In the past, Teamsters bosses had always been handpicked by a coterie of top brass. To avoid a government-imposed trusteeship, the Teamsters agreed to allow their 1.6 million members to elect their president. The rank and file chose Carey in the first two elections.

And as far as the government was concerned, Carey was just the guy to clean up the union. At least he looked good to the public. In 1978 he was trumpeted in Steven Brill's bestseller *The Teamsters* as the kind of "fiercely honest" man who should be running the entire brotherhood. When Carey ran for the top spot in 1991, the press coverage was bathed in glorious blue-collar images: the tuna-sandwich, suit-off-the-rack kind of guy who married the girl next door, had five kids, and spent vacations in his Queens backyard. Great stuff. To be fair, Carey has had a hand in cleaning up the union. With prodding from the IRB, he has imposed trusteeships at more than 70 tainted locals. The trouble is, that was only part of the Ron Carey story. Scratch the surface and it becomes clear that Carey had more in common with the old Teamsters bosses than the public was led to believe. As proof, we offer the following sampling of cases where the IRB appeared to bend over backwards to help Carey become the Teflon Teamster.

Character Witness

In recent years the IRB has removed numerous Teamsters leaders for associating with mobsters. But those same rules apparently didn't apply to Carey.

Let's return to 1975, when Carey's only job was as the president of Teamsters Local 804, a UPS outpost in New York that he continues to lead. At the time, Carey testified on behalf of gangster John Conti, a member of the local who was on trial for a Mob-related loan-shark shakedown scheme in which two men's lives were threatened. He stated that he had known Conti for five years and that the defendant enjoyed a reputation in the community as "a peaceful and decent guy, a regular guy." Thanks in part to Carey's testimony, Conti was acquitted, while his two co-defendants were convicted.

REPORTER ASSOCIATE *Patty de Llosa*

A Rogue's Gallery

Scandal has always been part and parcel of the International Brotherhood of Teamsters. A brief look at the union's past six leaders and their troubles:

DAVE BECK: 1952–58
Jailed for tax evasion; took the "Fifth" more than 100 times.

JAMES HOFFA: 1958–71 *Imprisoned for jury tampering and convicted of pension-fund fraud. Disappeared in probable Mob hit.*

FRANK FITZSIMMONS: 1971–81
Cited in racketeering suit as controlled by organized crime.

ROY WILLIAMS: 1981–83
Imprisoned for attempt to bribe a Nevada senator.

JACKIE PRESSER: 1983–88
FBI snitch; indicted for embezzlement and racketeering.

WILLIAM MCCARTHY: 1988–92
Implicated for funneling contracts to family-controlled firm.

Conti is today a "made" soldier of the Lucchese crime family, according to a Senate subcommittee. (In a bizarre interview several years ago with this reporter, Carey said he remembered Conti, but doubted he "ever would have testified" on the man's behalf.) The IRB response? The board cleared Carey after noting that the gangster had not become a "made" member until two years after the trial. The IRB report neglected to mention that mobsters must serve as family "associates" (often for more than a decade) before they are officially inducted. What's more, the consent decree bars Teamsters from knowingly consorting with "any member or associate" of the Mob.

See No Evil

Another way to lose your union job? In 1992, Missouri's top Teamster, Robert Sansone, was banished by the IRB for conducting an inadequate investigation of an underling who was linked to the Mob in some newspaper articles. Like the Mob-association clause, the Bobby Sansone rule didn't count when it came to Teamsters boss Carey. Consider the case of John Long, Carey's treasurer and right-hand man at Local 804. Back in 1983, Carey's local received a federal subpoena—served directly to Long—seeking all records and phone calls from 1980 through 1982. The subpoena included all records of contacts with Jesse Hyman, who was linked to the Mob in news stories. One article in 1980 had referred to a dead Teamsters official who had been found in the trunk of Hyman's car. Carey dismissed the probe of his local as a trivial matter; under oath, he says Long assured him that "it really wasn't any big deal ... and that was the end of it."

In 1987, John Long was indicted for taking kickbacks from Hyman in return for investing the local's money in a Mob-linked pension-fund scheme (his conviction was overturned, but the IRB barred him from the union anyway). Carey received immunity for his testimony in the Long case. He said he had no recollection of the payments, even though they were the local's largest investments—and even though he signed both the checks and the monthly financial reports that reflected them. Long claims that Carey knew about the investments in the early '80s and fabricated minutes of meetings after they were subpoenaed.

Carey has said that Long is lying. The bottom line: Carey had not even conducted a cursory probe into Long's activities on behalf of the union after his right-hand man received a subpoena—and in the face of press accounts that detailed the Mob's involvement in the pension-fund scheme, called Penvest. At the least, Carey was woefully ignorant of what his most important aide was doing behind the scenes. For example, in a 1982 FBI memo obtained by FORTUNE, a Mob informer describes a gathering at a restaurant between several major gangsters and two of Carey's "representatives," including Long. They were allegedly meeting to resolve a jurisdictional dispute involving Carey's local. A second FBI memo, from 1988, mentions a "priority investigation of LCN's [La Cosa Nostra] control of Teamsters Local 804." IRB officials, in their probe of Carey, managed to ignore the Long scandal.

Bad Paperwork

After Carey was elected, the myths surrounding the blue-collar hero began to evaporate. Carey had put $6,000 into the race and was supposedly so broke that he galvanized thousands of union volunteers to donate money. Yet within weeks of taking office he purchased a posh beachfront property in the Florida Keys for $340,000. It was also discovered that Carey's father had left his six sons nearly $2 million in stock in UPS, a Teamster employer. Carey said he never disclosed the holdings because he never knew they existed. Even Carey's family-man image took a beating. It was later revealed that Carey had gotten a bank employee to notarize his forgery of his estranged wife's signature in connection with real estate that he had purchased with a girlfriend in the 1980s. In one case a contract signed by Carey identifies him falsely as a "single man." In another case he persuaded two union people to witness his wife's signature, which he forged. Carey gave shifting explanations for his actions, but in the end, his wife came up with an affidavit stating he had permission to sign her name. Even so, this might have toppled an ordinary Teamster. (The IRB once filed a charge against a Florida Teamster for "bringing reproach upon the union" by having lied on a personal loan application.) Here's the IRB justification for not taking action on Carey's tampering: "There was no party financially relying on the [Carey] document."

Carey had gotten a bank employee to notarize his **forgery of his wife's signature** *on a document in connection with real estate he had purchased with a girlfriend.*

Friends of Ron

One of Carey's first moves as Teamsters boss was to install William Genoese as the head of a Mob-controlled airport workers' local in New York. Carey's selection was vetoed by IRB honcho Frederick Lacey, now age 77, who declines to be interviewed. In 1992, he called Genoese "unbelievably oblivious" to corruption and cited his lengthy pattern of nepotism and misuse of union funds. What's more, federal witness Alfonso D'Arco, the former boss of the Lucchese family, identified Genoese as an important associate of the clan. "If even a casual look had been taken at Genoese's background, you would have known that this was a terrible mistake," Lacey told this reporter at the time. "And Mr. Carey knew that. He thought he could get away with it." But while Lacey, a former federal judge, was reprimanding Carey on the one hand, the Justice Department was trying to gussy up the Teamsters leader on the other. And Alfonso D'Arco was right in the middle of it.

A confidential FBI memo, dated just weeks before Carey took office, declared that witness D'Arco was linking Carey with the Mob. According to D'Arco, years ago Carey had agreed to honor illegal pickets that D'Arco would discuss with him by telephone. The government was suddenly in a quandary. D'Arco was considered the best and most articulate Mafia turncoat ever to emerge. If he was wrong about Carey, his credibility as a witness in numerous trials would be damaged. And if D'Arco was telling the truth, then the federal oversight of the Teamsters would come under attack. (D'Arco had never met Carey and had linked him to the Mob largely on the basis of what two other mobsters had told him. Then again, D'Arco had never met Genoese either, but his secondhand information was acceptable for the IRB when it booted Genoese from the union.)

By 1993 rumors about Carey's Mob ties were swirling around the union. Judge Edelstein blasted the union boss for actions that "presage tolerance of organized crime" and "suggest a desire ... to cloak corruption in secrecy." Carey, it seemed, didn't do much to discourage those conclusions. For example: The year before, Carey terminated the trustee of Local 239 on New York's Long Island. Whom did he pick as the local's new leader? Patrick Bellantoni, who, according to turncoat D'Arco, was better known to the wiseguys as "Pat Lagano," a protector of Lucchese family interests. The government could have made a decent argument for tossing Carey out of the union. But Hoffa Jr. was gaining support. Perhaps the boss didn't look so bad after all. Suddenly it seemed the relationship between the Teamsters and the IRB was transformed. Carey, who frequently clashed with the IRB after his election, stopped stalling on IRB requests to place tainted locals in trusteeships. He also stopped attacking Lacey in public.

Meanwhile the IRB seemed to be covering for Carey. In September 1993 the *Washington Times* reported that the IRB was investigating charges that Carey had Mob ties. The IRB immediately wrote to the newspaper, demanding a correction and claiming that it had "absolutely no credible evidence supporting any allegations of improper ties." Two months later the D'Arco FBI memo was revealed by this reporter in *Time* magazine, prompting Lacey to announce that "the matter is still open."

Calling Off the Cops

In 1992, Michael Moroney, who had spent 17 years investigating labor rackets for the government, teamed up with former top prosecutor Thomas Puccio to serve as the court-appointed trustees of New York's Local 295, which had long been dominated by the Lucchese family. By 1993 it became clear to the trustees that a corrupt sister local (851) was stealing all the business away. But when Moroney and Puccio sought to extend their trusteeship to 851, Carey joined hands with the tainted local to fight them. The Lucchese clan has long dominated 851, as Moroney reminded Carey in a stinging letter. During the fight with Carey, the trustees received FBI approval to meet with D'Arco, the former Lucchese boss. "I spent two days with D'Arco, and he berated me for being conned into believing that Carey was a reformer," says Moroney today. "He said that Carey was always an asset of the Lucchese crime family. Ever since, I've been screaming that Carey is a half-assed racketeer and scoundrel, and I've been vilified for it by the Justice Department."

Armed with D'Arco's claims, Moroney and Puccio met in early 1994 with Charles Ruff, a prominent ex-prosecutor whom Carey had just hired as a Teamsters attorney. The trustees told Ruff that if Carey continued to block their efforts to take over Local 851, they would have to enter evidence in their case that linked Carey to the Mob. Ruff fired off a letter to Lacey, relaying the threat by the two trustees. Lacey, in turn, penned an extraordinary private letter to Puccio, dated April 1994, in the midst of his "investigation" of Carey's alleged Mob ties. Lacey reminded Puccio, "I told you that I thought you and Mr. Moroney ought to have in mind what would happen if you brought Carey down, in that there were 'old guard' Teamsters throughout the country that were hoping Carey would be eliminated as a candidate in 1996.... You indicated that you had not given any thought to that but you would keep it in mind."

Lacey's letter seems to have worked. Puccio capitulated, Moroney was forced to resign, and Ruff has since moved on to become White House counsel. "Instead of treating all these guys [Teamsters officials] as rascals, Lacey embraced Carey and protected him," insists Moroney. "And Ruff got a legitimate investigation of Carey stopped." Ruff calls the allegations "blatant nonsense," while Puccio won't return phone calls. In the wake of the storm, however, an investigator telephoned Puccio and posed as a member of a congressional committee. In the taped conversation, a copy of which was obtained by FORTUNE, Puccio is asked whether Lacey has chosen sides. "Off the record, that's probably right," said Puccio, who added: "I think the Southern District [U.S. Attorney's office] has sort of taken sides. This is what Lacey's group has said.... It's a complex problem."

In July 1994 the IRB published its report, giving Carey a clean bill of health. Judge Edelstein, the Teamsters' overseer, never reprimanded Lacey after his letter was made public a year later.

Enemies List

The IRB, intentionally or otherwise, would also prove useful in helping Carey get rid of his enemies. One of Carey's harshest critics was Gene Giacumbo, who once served on Carey's international board as a vice president. At the time of his election, Giacumbo renounced a "second" salary of $52,000 at his local, even though he was legally entitled to take it—an act that made him very popular with reformers. But when Giacumbo learned about Carey's alleged Mob ties and posh real estate purchases in 1993, he demanded audits of the union's books. Instead, Giacumbo found himself the target of audits by Carey and the IRB that led to his banishment from the union. His big crime: Taking a duplicative $400 car allowance for a four-month period.

By 1995 the relationship between the IRB and Carey seemed to be downright cozy. A memo from this period recently obtained by FORTUNE reveals that a top Teamsters official created a "To Do L. · for Judge Webster," the IRB member. The memo is written by L. · Hamilton, the union's government affairs director, who is refusi.. to cooperate with investigators in the current election-funding scandal. At the time, the Teamsters were hoping to receive $11.6 million in congressional appropriations for the 1996 election. The memo advises Webster to call various lawmakers to explain that "as a member of the IRB, he has special knowledge of the importance" of continuing the government's cleanup effort, as well as "the importance of running a clean election." Webster acknowledges his lobbying activity but says he did it only at the direction of the Justice Department. "I was not taking any kind of instruction from the Teamsters," he says. "I can't be responsible for what people put in notes."

Carey seemed to get even more help. At the Teamsters convention in 1996, Carey was in trouble when most delegates supported Hoffa. Luckily for Carey, the IRB then issued reports recommending that the Teamsters boss impose trusteeships on three major locals (Chicago, Dallas, and Philadelphia) that were friendly to Hoffa. The "tactical timing" of the IRB's actions was questioned in a letter to Attorney General Janet Reno from Representatives Henry Hyde and Peter Hoekstra, who were starting an investigation into the government's oversight of the union.

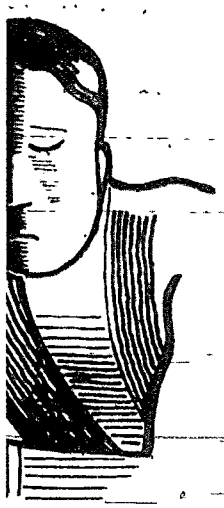
In recent years the government has removed numerous Teamsters leaders for **associating with mobsters.** *Those same rules apparently didn't apply to Carey.*

The Philadelphia case involved Local 107, which the IRB accused of organized-crime ties and a "lack of financial controls." But the misuse of funds was largely historical and amounted to less than $3,500. Moreover, the Mob ties of the local's boss were "tenuous at best" or had "already been severed," concluded a Philadelphia judge. "You have to understand that after Carey was defeated at the convention, a campaign of intimidation began that was initiated by the IRB," maintains Hoffa attorney George Geller, who also denies any Hoffa ties to organized crime. "The message was clear: If you supported Hoffa, you had better keep quiet or your local would be turned over to a trustee."

Today, Carey's demise seems inevitable. Before resigning, election officer Quindel announced that "additional information" would force her to reconsider whether to disqualify the boss from the new election scheduled for early 1998. Quindel will now have to pass those tips over to her successor, Kenneth Conboy, a retired judge. Meanwhile, more indictments are expected, perhaps as you read this article, and there is a reasonable suspicion that Carey could be among those named. His three aides have reportedly claimed that Carey was aware of the election scheme.

Even if Carey dodges an indictment, his credibility will be severely damaged. He doesn't recall authorizing the payments at the heart of the current scandal (his secretary says he did). He didn't know that a chunk of the money was being laundered into his campaign (even though Nash, his campaign manager, explained the laundering scheme to the same secretary). He didn't know that Nash was spending half his time working for the Clinton-Gore campaign, where, according to the *Wall Street Journal*, a memo was prepared in the office of a Clinton-Gore official that spells out a contribution swap scheme between the DNC and the Carey campaign.

None of this seems to rattle the IRB. "It's not time to declare victory, but things have come a long way since the days when a significant percentage of the IBT presidents went to jail," says William Webster. "We haven't seen that lately." No, Judge Webster, but there's still time. ◻



David Suter

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VIEWPOINT

JEFFREY A. SONNENFELD

In the Dignity Department, U.P.S. Wins

IN short, there's simply not a more congenial spot for happ'ly-ever-aftering than here in Camelot," proclaimed the unorthodox King Arthur, at least in the Broadway version. Yet his tranquil kingdom was destroyed by the schemes of a brooding nephew, Mordred, who felt like a deprived outcast.

The Arthurian legend echoes through the recent events at United Parcel Service. It isn't difficult to see the teamsters' strike as an attack on a progressive company by an angry outsider with deep U.P.S. roots.

James P. Kelly, the U.P.S. chairman, and Ron Carey, president of the International Brotherhood of Teamsters, are of similar, modest lineage. Both began their work lives as U.P.S. drivers. Mr. Kelly's early triumphs started him on a spiral of promotions; Mr. Carey's early conflicts with the company may have started him on a campaign to humble U.P.S. through his union. And now, with his campaign accused of fund-raising abuses, Mr. Carey has seen the Government void his re-election. In that race, he made grandstanding against U.P.S. a centerpiece.

In the U.P.S. strike, four lessons transcend the commonplace postmortems over who won:

● *Be wary of the dark side of charisma.* In this age of self-directed work teams and mantra-like chants of "empowerment," we forget that bold leaders can make significant contributions — for good or for bad.

Charismatic leaders can inspire individuals to forgo self-interest. In the U.P.S. strike, Mr. Carey, in the name of reversing decades of union losses, persuaded drivers to give up 15 days' wages, about $2,500; a profit-sharing bonus of $3,000 and the opportunity to guarantee a doubling of their pension benefits.

What did they gain? While the teamsters got a good contract — a deal that was close to the U.P.S. offer — it will take them years to make up for the strike's costs. And U.P.S., which lost more than $600 million during the strike and may forfeit 5 to 10 percent of future revenues, must now consider widespread layoffs.

● *Master the rhetorical battle.* "America doesn't want throwaway workers," went one of Mr. Carey's favored sound bites. "People don't have part-time children or part-time mortgages," he would add. Charismatic leaders use words to reframe issues and create scapegoats.

Mr. Carey brilliantly confused journalists, customers, academicians and, most important, U.P.S. workers by seizing legitimate concerns about the "new social contract" in the workplace and using them against a company that staunchly lived by the principles of loyalty and justice in the old social contract. For example, he blended public concern over the 500 percent growth in the nation's contingent work force — or "temps" — with the company's part-time sorters and loaders, whom he then wrapped in the public's affection for its highly skilled, high-profile drivers.

In fact, people are *asking* for more flexible work as they go through school or struggle with family responsibilities. What they don't want to trade off are benefits. And U.P.S. part-timers have all the lush health coverage for their families that full-timers enjoy, plus 25 paid days off a year. Fortunately, despite Mr. Carey's rhetorical thrusts, the proportion of these popular jobs at U.P.S. will remain virtually unchanged.

Mr. Carey also latched onto current populist themes like outsourcing and obscene executive salaries. U.P.S. had outsourced the jobs of just 30 drivers, but most of them to fellow teamsters. The salaries of top U.P.S. executives rank near the bottom among the Fortune 500, while the hourly wage earners are in the top 10 percent of their peer group.

Yet Americans barely heard the U.P.S. story. The company believed it unseemly to brag about its admired culture and philanthropy. All of its top managers are former drivers — and former teamsters. But its understated public relations philosophy restrained management from image advertising or even rapid response to the onslaught of hundreds of media requests. Only reluctantly did Mr. Kelly agree to be the company's public face with his maiden TV appearance on "Face the Nation."

● *Don't presume that all parties play by your rules.* Mr. Carey was not playing the win-win partnership game of the contemporary style of conflict management. He defied the bargaining partnership approach championed by progressive labor leaders like Douglas A. Fraser of the auto workers, Lynn R. Williams of the steelworkers and Jack Sheinkman of the textile workers. Sadly, Mr. Carey has fought all worker-management cooperative initiatives.

● *Maintain your character, even if it costs in the short run.* Many were amazed at how the company turned the other cheek amid a campaign of venom. But this is a company whose founder, James E. Casey, invited the teamsters to represent his workers in 1921, a time when union campaigns were generally lost in bloody battles. His watchword — "You can be a good U.P.S.'er and good teamster" — guided the company through the temptation to volley hostile statements or hire replacement workers.

Unlike a manufacturer whose personnel are anonymous, well-trained U.P.S. drivers have become a folksy — even sexy — part of the American landscape. Replacements for such family friends might not have been so welcome.

U.P.S. paid a short-term price in lost revenue, but management's wise restraint lets the company repair damage to its invaluable social tapestry. This time, Camelot will survive Mordred's attack. □

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